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Comments on Universal Service Support
Distribution Options for Schools, Libraries
and Rural Health Care Providers

FCC: DA 97-1957; CC Docket 96-45

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This correspondence is in response to the Federal Communications Commission Common Carrier Bureau request for comments regarding the possibility that demand for Universal Service discount funds will exceed supply.

The first issue is whether the FCC should institute a "filing window" in which all applicants would be given equal priority for funding. The filing window concept is used by the FCC to keep applications at a manageable level, such as with Low Power television filing windows. Filing windows, with their limited time span, tend to restrict the pool of applicants to those with better resources and support structure. In the case of schools and libraries, it can be assumed that more affluent, better staffed school and library systems will be positioned to submit applications during the first filing window, giving them an advantage over poorer, less technically literate systems. Opening a series of windows will ensure the more disadvantaged systems, which file during the later windows, lower positions in the approval hierarchy.

Although an argument may be made that the Rules of Priority will allow less advantaged schools and libraries equal access to discount funds, the number of schools eligible under the Rules of Priority may be considerably overestimated. In the May 8 Report and Order discount matrix, 32 percent of schools and libraries are estimated to be in the two most disadvantaged categories. According to Free and Reduced lunch statistics compiled by the Virginia Department of Education in October 1996, less than 18 percent of school divisions, representing 16 percent of the Virginia student population were in the two lowest categories. If the Virginia statistics are indicative of the nation as a whole, a significant number of marginal schools and libraries, not eligible for the Rules of Priority, but lacking the expertise to comply with a filing window, may be unable to obtain discounts during the 1998 funding year if funds are exhausted.

If the major concern is a potential shortage of discount funds, a filing window giving all applicants equal priority may not be a satisfactory solution. The November 8, 1996 Joint Board Recommendation suggested discount funds be made available on a first come first served basis. This was reiterated by the FCC May 8 Report and Order. Schools and libraries across the country believe in order to better their chances of receiving discounts,

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they must be among the first to submit applications when the National Exchange Carrier Association (NECA) is prepared to accept them. Based on the May 8 Report and Order and subsequent reconsiderations, schools and libraries have been compiling information which will be required in the application. Therefore, in spite of the FCC attempt to limit applications with a filing window, the possibility exists that when the first window opens, the flood of applications will exceed the funding cap.

The intent of Congress and the Joint Board for Universal Service Discounts was to ensure equity in access and funding. A filing window, by its very nature, is counter to those intents. Because of the short notice necessary to inform schools and libraries of a filing window and meet the January 1, 1998 discount implementation date, many schools and libraries may not even be aware of the existence of a filing window until applications are issued. I recommend the FCC abandon the idea of filing windows for Universal Service Discounts.

The second question asks whether the FCC should clarify the Rules for Priority for distributing funds. The Joint Board recommended and the FCC adopted the Rules of Priority to take effect when \$250 million remains in the discount account. Because the annual dollar amount for school and library discounts has consistently been \$2.25 billion annually, the intent of this rule seems to be ten percent of the total. This should be changed to \$100 million for the period January 1 - June 31, 1998.

As mentioned above, the poverty estimates appear to be overstated for Virginia and possibly for the nation. It can be assumed a number of schools and libraries in the two lowest categories will be approved for discounts before the Rules of Priority take effect, further reducing the number of eligible schools. Even though the percentage discounts are greater for these schools and libraries, the amount of funding required to serve these schools should not exceed ten percent of the total allocation.

No comment on the third question.

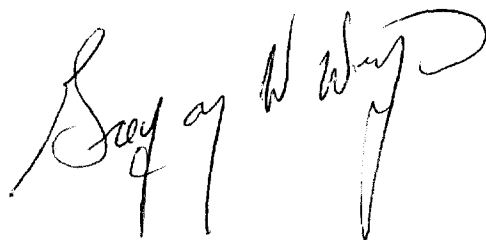
The fourth item requests suggestions for implementing the Universal Service Discount program the first year. I suggest allocating the discount funds to each state on a weighted average based on student population and relative poverty level as reported to the National School Lunch Program. This will guarantee available funds will be more widely available to schools and libraries. NECA (or the Universal Service Administrative Corporation, if it is operational) should set up separate accounts for each of the political subdivisions eligible for discounts. The funds should be committed pursuant to the current rules of the May 8 Report and Order, except that the Rules of Priority should be changed to take effect when the funds remaining in an account reach ten percent of the total allocated to that account. Schools and libraries should receive discounts on a first come-first served basis with funds allocated from their states' account.

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Comment is also requested for suggested methods of aggregation of discounts for consortia, school divisions, states and others. I suggest as much flexibility as possible for multiple entities to fairly allocate discounts to members. For consortia that pay bills from a central location with no financial burden borne by members for eligible services such as school divisions or states, maximum flexibility should be allowed. In these cases, applicants should be allowed to request discounts either on a weighted or simple average basis. For example, if a school division applies on behalf of its schools for services and the school division is responsible for payment, the local administration should have the choice of requesting weighted or simple average discounts. Since a simple average will greatly reduce budgetary tracking, most divisions will choose simple averaging.

Applicants which require consortium members to pay for discounted services they receive should be required to identify discount rates for each member and adjust their contribution accordingly. In order to accurately identify the proper discount rate, these applicants should be required to provide free and reduced lunch information for each member and the percentage of total service each member receives. Although this will require substantially more account tracking for consortium administrators, it will identify the proper Universal Service discounts and pass those discounts to schools with the most need. Some may argue consortium discounts should be based on population weighted average verses a percentage of service weighted average. The population of a school or may or may not reflect the amount of service it receives but the percentage of service it receives is an identifiable, accurate way of applying discounts. For example, If a consortium delivers distance learning courses over high speed data lines, each site uses approximately the same amount of discounted services, regardless of population. On the other hand if the consortium only provides internet service to members, a prudent administrator will scale the system based on each members demand.

A handwritten signature in black ink, appearing to read "Gregory Weisiger". The signature is fluid and cursive, with the first name "Gregory" written in a larger, more prominent script than the last name "Weisiger".